

City of Miami Beach, Florida

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2002

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Jorge M. Gonzalez
City Manager

Patricia D. Walker
Chief Financial Officer

Report prepared by: Finance Department

City of Miami Beach, Florida
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2002

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CITY OF MIAMI BEACH

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<http://ci.miami-beach.fl.us>



March 31, 2003

Honorable Mayor and Members of the City Commission:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Miami Beach, Florida (the "City"), for the fiscal year ended September 30, 2002.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the City have been included.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

State statutes require an annual audit by independent certified public accountants. The accounting firm of KPMG LLP was recommended by the City Manager, following a review by an appointed evaluation committee, and approved by the City Commission. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1996 as amended, and the related OMB Circular A-133. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial

statements, but also on the audited government's controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Report.

As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Internal Audit Department of the City.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City was incorporated as a municipal corporation on March 26, 1915 and was created by the Florida Legislature, Chapter 7672, Laws of Florida (1917). The City is governed by an elected mayor and six-member commission. The City operates under a Commission-Manager form of government. The term for the Mayor is two years, with a term limit of six consecutive years. The term for the Commission is four years, with a term limit of eight consecutive years. The Commission is responsible, among other things, for passing ordinances, adopting the budget, approval of property tax levies, outstanding debt secured by the full faith credit of the City or any of its revenue streams, appointing committees, and hiring both the City's manager and attorney. The City's manager is responsible for carrying out the policies and ordinances of the Commission, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The accompanying financial statements present the City and its component units, entities for which the City is considered financially responsible. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The City provides a full range of services. These services include police and fire protection; recreational activities; cultural events; sanitation services; water, sewer and storm water services; neighborhood community services; and the construction and maintenance of streets and infrastructure. This report includes activities of the Miami Beach Visitor and Convention Authority, the Retirement System for General Employees, the Retirement System for Police and Fire Employees, the Miami Beach Retirement System for Non-Civil Service Employees, the Miami Beach Health Facilities Authority, and the Miami Beach Redevelopment Agency (the "Agency").

The annual budget serves as the foundation for the City's financial planning and control. At least 65 days prior to the beginning of the fiscal year, the City Commission is presented with a proposed budget. The proposed budget includes anticipated expenditures and the means of funding them. After Commission review and public hearings, the budget is

adopted prior to October 1. The budget is approved by fund and department. Management may transfer amounts between line items within a department as long as the transfer does not result in an increase in the department budget. Increases to funds or department budgets and transfers between departments require Commission approval. Annual budgets are adopted on a basis consistent with GAAP for all governmental funds except the capital projects fund, which adopts project-length budgets. Budget-to-actual comparisons are provided in the required supplementary information section of this report for the general fund, the resort tax special revenue fund, and the Miami Beach Redevelopment Agency Special Revenue Fund. Funds and grants that have multi-year project budgets are not presented in the statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. Miami Beach is a barrier island surrounded by the Atlantic Ocean to the east and Biscayne Bay to the west. Tourism is the largest contributor to the Miami Beach economy with over \$915 million in direct tourist spending on hotel, retail, food, and beverage alone. This spending generated approximately \$1.4 billion in total output into the local economy, and \$418 million in earnings. This past year, Miami Beach hotels hosted over 4.5 million visitors, and over 7 million tourists visited South Beach and the Art Deco Historic district. Additionally, Miami Beach remains a regional resource, with approximately 8 million day-trips by residents of the surrounding area, making Miami Beach one of the most popular attractions in Florida.

However, the overall economy of the City continues to diversify. In recent years, Miami Beach has expanded beyond its traditional tourism based economy to become a multifaceted center for real estate, entertainment, health care, and culture. This past year, the world's most prestigious art fair, based in Basel, Switzerland, held its first exhibition, outside of Switzerland, in Miami Beach. This first time exhibition was an outstanding success. Attendance and sales far exceeded expectations assuring a return of Art Basel Miami Beach in 2003.

Commercial and residential construction accounted for over \$500 million in 2002. Multiple Class A office buildings were recently completed increasing office space by 178,000 square feet. The City's largest office tenant, LNR Property Corporation, now anchors the office market.

The entertainment industry continues as an important part of the Miami Beach economy. The production sector spends approximately \$57 million a year in the City for the production of movies and fashion campaigns. Many international talent and model agencies have located in the City. This year the William Morris Agency opened an office in the City to handle the Spanish language entertainment industry. This is the first William Morris Agency expansion since it opened a Nashville, Tennessee office in 1973 to handle country music deals. This move confirms that Miami Beach has firmly established itself as one of the leaders of Spanish-language entertainment in the U.S. This year-round corporate activity has over \$190 million in operations.

Long-Term Financial Planning. The City's construction projects include citywide water, wastewater, and storm water improvements as well as a variety of streetscape enhancement projects. The City has developed various capital improvement programs to improve the quality of life of its residents. Over the next six years, an estimated \$400 million of public right-of-way infrastructure improvement projects are to be implemented.

Water, sewer, and storm water improvements will be implemented in accordance with recommendations presented in the City's Water and Sewer Master Plan and Storm water Master Plan. In general, these consist of the replacement and/or rehabilitation of existing water mains to replace aged pipe and/or address fire flow requirements and to address drainage issues throughout the City.

Streetscape improvements will include enhanced landscaping and street lighting consistent with community preferences; repair, extension or widening of sidewalks to comply with the American with Disabilities Act (ADA) –Title III; street resurfacing, pavement markings and improvements of street ends with street lighting, landscaping, fencing, and/or parking where appropriate; bicycle paths and pedestrian access-ways; and, incorporation of traffic calming features.

Debt Administration. During the year, Standard & Poor's Corporation increased the City's rating on its bonds from A to an A+. The City continues to maintain its A1 rating from Moody's Investors Services. Under current state statutes, general obligation bonded debt issued by the City is subject to a legal limitation based on 15% of total assessed value of real and personal property. As of September 30, 2002, the general obligation bonded debt of the City totaling \$43.8 million was well below the legal limit of \$1.3 billion, and debt per capita equaled \$497.

Cash management policies and practices. In accordance with the City's investment policy, excess cash during the year was invested in U. S. Treasury obligations, U. S. government agencies, commercial paper, corporate bonds, money market funds, and repurchase agreements. The investment portfolio of the pension trust fund includes cash deposits, U. S. government securities, corporate bonds, common stock, money market funds, and commercial paper. The average yield on investments, except for the pension trust funds, was 2.8%. The pension trust funds had a yield rate loss of 3.2% for this same period.

The investment policy of the City is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either covered by federal depository insurance or a collateral pool held by the State Treasurer for the benefit of all public deposits in Florida, or by collateral held by third parties in trust in the name of the City. All cash and investments of the City, at September 30, 2002, met the criteria for Risk Category #1 as defined by the Governmental Accounting Standards Board, Statement #3, "Deposits with financial institutions, investments (including repurchase agreements) and reversed repurchased agreements."

Risk management. The City has a risk management program for workers' compensation, general liability, and auto liability. As part of this comprehensive plan, resources are being accumulated in the self-insurance internal service fund to meet potential losses. In addition, various risk control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses. The City has \$7.4 million currently restricted for future losses.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2001. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated work and tireless efforts of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Mayor and City Commission, preparation of this report would not have been possible.

Sincerely,



Jorge M. Gonzalez
City Manager



Patricia D. Walker
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Beach,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pote
President

Jeffrey L. Esser
Executive Director

[illegible]

CITY OF MIAMI BEACH, FLORIDA
List of Elected Officials and Administration

September 30, 2002

City Commission

David Dermer, Mayor

Richard L. Steinberg, Vice-Mayor

Matti Herrera Bower, Commissioner

Simon Cruz, Commissioner

Luis R. Garcia, Jr., Commissioner

Saul Gross, Commissioner

Jose Smith, Commissioner

Administration

Jorge M. Gonzalez, City Manager

Patricia D. Walker, Chief Financial Officer

Christina M. Cuervo, Assistant City Manager

Mayra Diaz Buttacavoli, Assistant City Manager

Robert C. Middaugh, Jr., Assistant City Manager



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Independent Auditors' Report

Honorable Mayor and Members
of the City Commission
City of Miami Beach, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida (the City), as of and for the year ended September 30, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Miami Beach, Florida Retirement System for General Employees, the Retirement System for Policemen and Firemen, and the Retirement System for Unclassified Employees and Elected Officials, which represent 87% and 15%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Miami Beach, Florida Retirement System for General Employees, the Retirement System for Policemen and Firemen and the Retirement System for Unclassified Employees and Elected Officials is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida, as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2, the City has implemented a new financial reporting model, as required by the Governmental Accounting Standards Board Statement (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB



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Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government – Omnibus*, portions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2003 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management’s discussion and analysis on pages 11 through 22, the budgetary comparison information on pages 67 and 68, and the schedule of funding progress on page 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, supplementary information, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

March 31, 2003



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Miami Beach's (the "City") financial performance provides an overview of the City's financial activities for the year ended September 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$523.2 million. Of this amount, \$148.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- During fiscal year 2002, the City's net assets increased by \$19.2 million. Most of this increase is attributable to operations of the business-type activities, primarily from increased rates.
- At the end of the current fiscal year the unreserved fund balance for the general fund was \$26.9 million, or 20% of the total general fund expenditures.
- The City's total long-term liabilities decreased \$11.5 million (4.0%) during the current year. This was due mainly to making the required principal payments on bonded debt with no new bonded debt added this fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned, but unused vacation leave).

Both the statement of net assets and the statement of activities of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their cost through user fees and charges. The governmental activities of the City include general government, public safety, streets, economic development, human services, culture and recreation. The business-type activities of the City includes storm water,

water and sewer, parking, convention center complex, sanitation, and Miami Beach Redevelopment Agency's parking and leasing operations.

The government-wide financial statements include not only the City itself, but also a legally separate Visitor and Convention Authority and a legally separate Health Facilities Authority. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, resort tax special revenue fund, Miami Beach Redevelopment Agency special revenue fund, and capital projects fund which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund, resort tax special revenue fund, and its Miami Beach Redevelopment Agency's special revenue fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds. The City maintains seven different types of proprietary or enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its storm water utilities, water and sewer, parking, convention center complex, sanitation, and Miami Beach Redevelopment Agency's parking and leasing. Internal service funds are an accounting device used to accumulate and allocate cost internally among the

City's various functions. The City uses internal service funds to account for its fleet management, property management, central services, self insurance, and information technology/communications operations. Because all these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type information as the government-wide financial statements, only in more detail. The proprietary fund financial statements separate information for the storm water utilities, water and sewer, parking, convention center complex, which are considered to be major funds of the City. Data from the other three proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds include the Pension Trust Funds and general agency fund.

The fiduciary fund financial statements can be found on pages 32-33 of this report

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-65 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also represents certain required supplementary information concerning the City's progress in funding its obligations to provide pension benefits to its employees. Required supplemental information can be found on pages 66-69 of this report.

The combining statements referred to earlier in connection with non major governmental funds and internal service funds are presented immediately following the required supplemental information on pensions. Combining and individual fund statements and schedules can be found on pages 70-92 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City, assets exceeded liabilities by \$523.2 million at the close of the most recent fiscal year, an increase of \$19.2 million from September 30, 2001.

As mentioned previously, the basic financial statements include a reconciliation between the fiscal year 2002 governmental funds statement of revenues, expenditures, and changes in fund balance which reports a decrease of \$15.4 million in fund balances and the reported

increase in the excess of assets over liabilities reported in the government-wide statement of activities \$5.4 million, a difference of \$20.8 million.

Key elements of the reconciliation of these two statements are that the government-wide statement of activities reports the issuance of debt as a liability, the purchases of capital assets as assets which are then charged to expense over their useful lives (through annual depreciation charges) and changes in long-term liabilities as adjustments of expenses. Conversely the governmental funds statements report the issuance of debt as an other financing source of funds, the repayment of debt as an expenditure, the purchase of capital assets as an expenditure and does not reflect changes in long-term liabilities.

By far the largest portion of the City's net assets (57.7%) reflects its investment in capital assets (e.g., land, building, infrastructure machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF MIAMI BEACH						
Net Assets						
(in thousands)						
	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$ 176,811	\$ 196,098	\$ 220,092	\$ 216,321	\$ 396,903	\$ 412,419
Capital assets	334,493	324,311	287,331	276,898	621,824	601,209
Total assets	<u>511,304</u>	<u>520,409</u>	<u>507,423</u>	<u>493,219</u>	<u>1,018,727</u>	<u>1,013,628</u>
Long-term liabilities						
outstanding	282,499	289,800	184,993	180,283	467,492	470,083
Other liabilities	13,234	16,271	14,816	13,628	28,050	29,899
Total liabilities	<u>295,733</u>	<u>306,071</u>	<u>199,809</u>	<u>193,911</u>	<u>495,542</u>	<u>499,982</u>
Net assets:						
Invested in capital assets,						
net of related debt	94,231	98,184	207,522	222,488	301,753	320,672
Restricted	72,627	75,875			72,627	75,875
Unrestricted	48,713	40,279	100,092	76,820	148,805	117,099
	<u>\$ 215,571</u>	<u>\$ 214,338</u>	<u>\$ 307,614</u>	<u>\$ 299,308</u>	<u>\$ 523,185</u>	<u>\$ 513,646</u>

An additional portion of the City's net assets (13.9%) for the governmental activities represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$148.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's net assets increased 3.8%, by \$19.2 million during the current fiscal year. About 75% of this increase represents the degree to which increases in ongoing enterprise revenues have outpaced similar increases in ongoing expenses. The remainder of this growth was due to the ability of the City to maintain operating expenses lower in relation to revenue growth.

Governmental activities. Governmental activities increased the City's net assets by \$5.4 million, thereby accounting for 28.2 % of the total growth in the net assets of the City of Miami Beach.

Key elements of these changes are as follows:

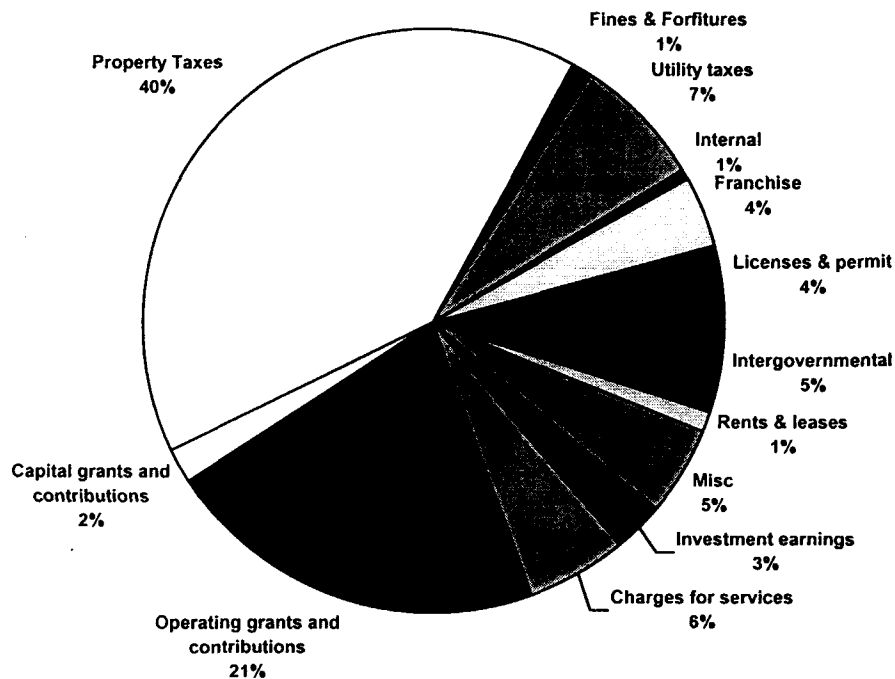
CITY OF MIAMI BEACH
Changes in Net Assets
(in thousands)

	Governmental activities	Business-type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 10,248	\$ 81,666	\$ 91,914
Operating grants and contributions	39,651	7,886	47,537
Capital grants and contributions	3,929		3,929
General revenues:			
Taxes:			
Property taxes, levied for general Purposes	65,343		65,343
Property taxes, levied for debt service	9,600		9,600
Utility	13,348		13,348
Franchise Fees	7,037		7,037
Licenses and Permits	8,095		8,095
Intergovernmental	9,109		9,109
Rents and leases	2,267	318	2,585
Fines and forfeitures	1,716		1,716
Miscellaneous	8,920	6	8,926
Unrestricted Investment earnings	5,301	5,582	10,883
Loss on disposal of capital assets	(214)	(7)	(221)
Internal activity:			
Transfers	1,337	(1,337)	
Total revenues and transfers	<u>185,687</u>	<u>94,114</u>	<u>279,801</u>
Expenses:			
General government	25,829		25,829
Public safety	84,602		84,602
Physical environment	2,895		2,895
Transportation	8,934		8,934
Economic environment	8,501		8,501
Human services	1,496		1,496
Culture and recreation	31,673		31,673
Interest on long-term debt	16,335		16,335
Storm Water		4,020	4,020
Water		14,940	14,940
Sewer		25,460	25,460
Parking		15,172	15,172
Convention Center		13,469	13,469
Sanitation		5,503	5,503
Redevelopment Agency's Parking		1,530	1,530
Redevelopment Agency's Leasing		238	238
Total expenses	<u>180,265</u>	<u>80,332</u>	<u>260,597</u>
Change in net assets	5,422	13,782	19,204
Net assets – beginning	210,149	293,832	503,981
Net assets – ending	<u>\$ 215,571</u>	<u>\$ 307,614</u>	<u>\$ 523,185</u>

- Property taxes increased in the general fund by \$6.3 million (9.1%) during the year. This is attributed to an increase in taxable real property value from \$9.4 billion to \$10.6 billion which included over \$305.7 million in new construction.
- Interest income decreased by \$3.0 million or 52% as a result of a significant drop in interest rates. The average yield on City investments dropped from 4.8% to 2.8%.

The following chart shows the amounts of program and general revenues for fiscal year 2002:

**Revenues by Source – Governmental Activities
for the Year Ended September 30, 2002**

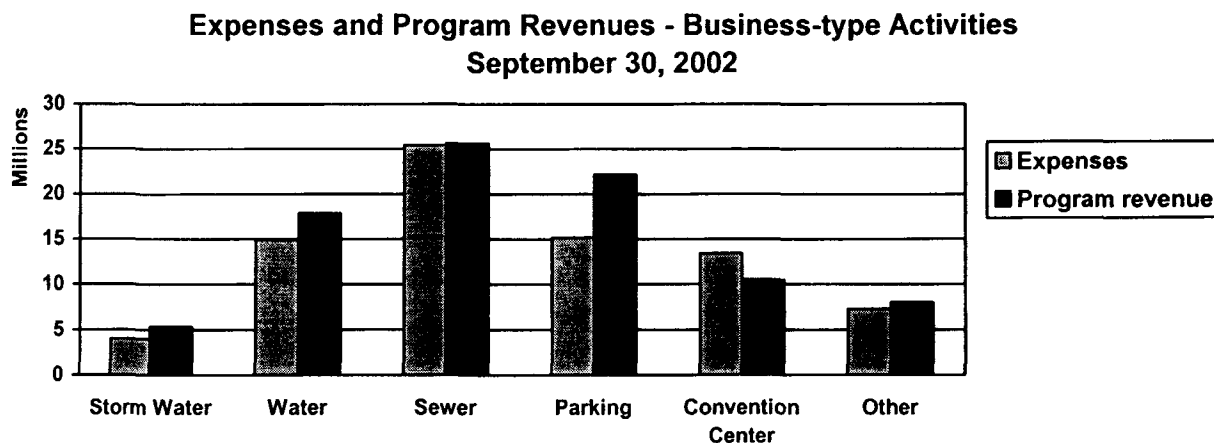


Business-type activities. Business-type activities increased the City's net assets \$13.8 million or 4.7%.

Key elements of this increase are as follows:

- The Storm Water Utility net assets increased by \$3.3 million, due to a rate increase and increased collections of outstanding balances.
- The Water and Sewer net assets increased by \$5.9 million, due to a rate increase and increased collections of outstanding balances.
- The Parking System net assets increased by \$6.4 million, due to increases in rates and increased hours of enforcement.
- The Convention Center Complex net assets decreased by \$2.9 million, as a result of reduced bookings subsequent to the September 11, 2001 tragedy.
- Other Enterprise net assets increased by \$1.1 million, as a result of normal operations.

The following chart shows a comparison of expenses to program revenues for business-type activities for fiscal year 2002:



Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The table below summarizes the changes in the fund balances of the City's governmental funds.

Governmental Funds (in thousands)						
	<u>General</u>	<u>Resort Tax</u>	<u>Miami Beach Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances						
Sep. 30, 2001	\$ 27,930	\$ 5,035	\$ 19,621	\$ 77,938	\$ 28,191	\$ 158,715
Revenues	125,630	22,638	21,515	5,158	23,535	198,476
Expenditures	(133,879)	(8,938)	(4,690)	(25,237)	(42,998)	(215,742)
Other financing sources (uses)	9,246	(15,336)	(16,989)	5,590	19,342	1,853
Fund balances						
Sep. 30, 2002	\$ 28,927	\$ 3,399	\$ 19,457	\$ 63,449	\$ 28,070	\$ 143,302

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's funding requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$26.9 million, while total fund balance reached \$28.9 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to fund balance expenditures.

Unreserved fund balance represents 19.2% of total general fund expenditures, while total fund balance represents 20.7% of the same amount.

The fund balance of the City's general fund increased by \$997 thousand during the current fiscal year. A key factor in this growth was the ability to maintain expenditures under budgeted amounts.

The City's general fund is required to adopt an annual budget prepared on a basis consistent with GAAP. Surpluses from any prior fiscal year cannot be appropriated in future fiscal years.

The City's Capital Projects Fund accounts for the funding of the City's capital program. The primary resources are obtained from the issuance of City debt.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The total growth in net assets for all enterprise funds was \$13.8 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Budgetary Highlights

The following information is presented to assist the reader in comparing the original budget (Adopted Budget), and the final amended budget (Amended Budget) and how actual results compared with these budgeted amounts. The Amended Budget can be modified subsequent to the end of the fiscal year.

Differences between the Adopted Budget and the Amended Budget (\$4.5 million increase in appropriations) can be briefly summarized as follows:

- \$1.7 million in general governmental activities
- \$0.6 million in increases allocated to public safety
- \$0.1 million in increases allocated to physical environment
- \$0.1 million in increases allocated transportation
- \$2.0 million in increases allocated to culture and recreation

Of these increases, \$2.2 million was to fund prior year encumbrances and \$2.1 million was to fund approved budget amendments from available fund balance. The remaining \$0.2 million increase was funded by a new permit fee implemented in 2002. During the year, expenditures were less than budgetary estimates therefore eliminating the need to draw upon existing fund balance.

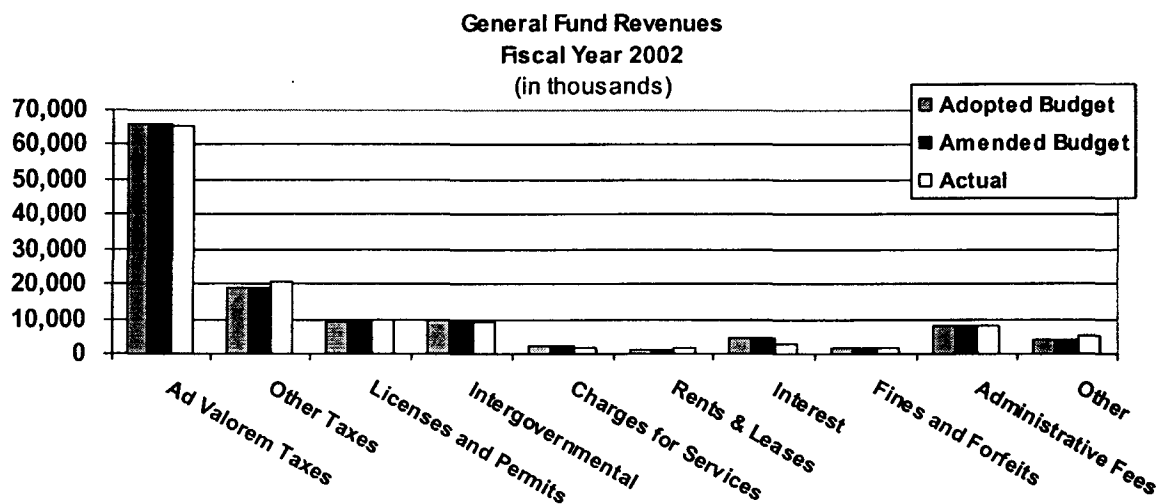
In the redevelopment agency funds, the major variances between final budget and actual are in intergovernmental revenues and economic environment. Intergovernmental revenues increased \$1.5 million or 8% due to increased real estate valuations of existing property and new large residential buildings added to the tax rolls. In economic environment, \$3.3 million or 94% of the variance relates to payments made to satisfy a settlement between the RDA and a developer.

Resort tax revenue fund decreased \$7.7 million or 27% from final budget as a direct result of a decrease in tourism after September 11, 2001. All restaurants and hotels experienced a decline in business during most of Fiscal Year 2002

General Fund Revenues

The major variances between final budget and actual are in utility taxes and interest income. Utility taxes are sensitive to local economic indicators. The increase of \$1.3 million or 10.6% is a result of growth in wireless, commercial, and residential accounts. Conversely, interest income was affected by national economic indicators. The decrease of \$1.9 million or 40.2% is a direct result of average interest rates on our investments dropping from 4.5% to 2.5%.

The following charts and tables summarize actual revenues by category for fiscal years 2002 and compare revenues with Adopted Budget, Amended Budget, and Actual.



Differences between the original budget and the final amended budget were minor (\$240 increase in appropriation for a newly implemented permit fee).

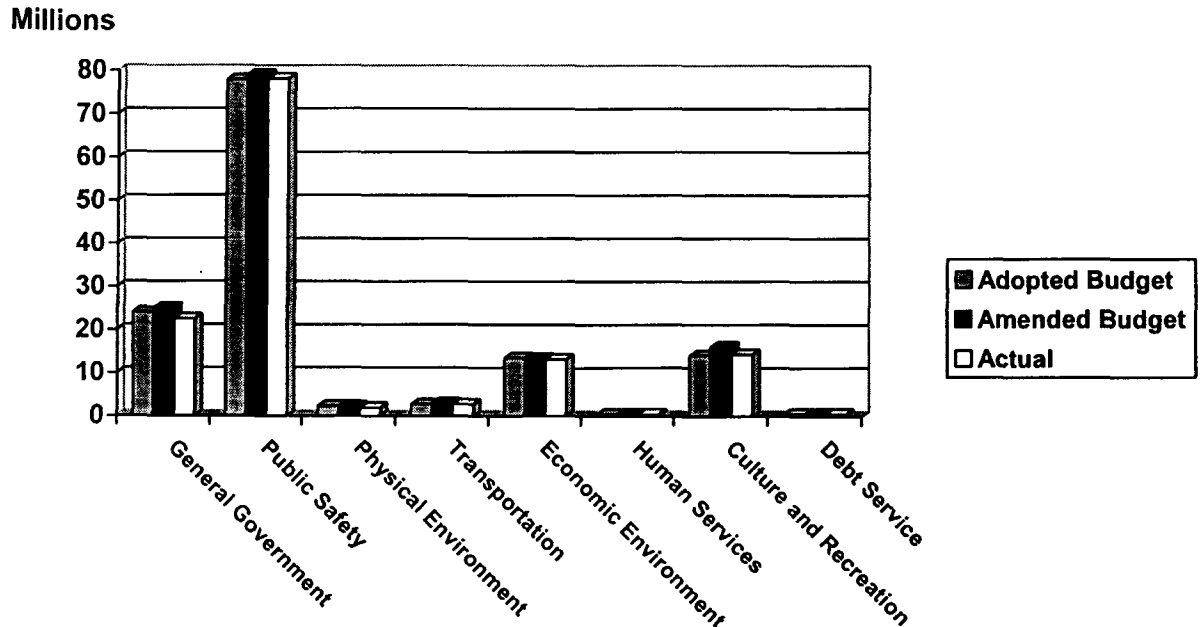
General Fund Revenues Fiscal Year 2002 (in thousands)			
	Adopted budget	Amended budget	Actual
Taxes:			
Property	\$ 66,255	\$ 66,255	\$ 65,561
Franchise	6,929	6,929	7,037
Utility	12,064	12,064	13,348
Taxes	85,248	85,248	85,946
Other than taxes:			
Licenses and permits	9,268	9,508	9,628
Intergovernmental	9,654	9,654	9,263
Charges for services	2,033	2,033	1,792
Rents and leases	1,406	1,406	1,447
Interest Income	4,663	4,663	2,790
Fines and forfeits	1,648	1,648	1,716
Administrative Fees	8,139	8,139	8,144
Other	4,298	4,298	4,904
Other than taxes	41,109	41,349	39,684
Total revenues	\$ 126,357	\$ 126,597	\$ 125,630

General Fund Expenditures

When comparing final budget to actual, all expenditure categories were under budget as a result of precautionary measures taken by the City after September 11, 2001.

The following charts and tables summarize actual expenditures by function/program for fiscal year 2002 and compare expenditures with Adopted Budget, Amended Budget and Actual.

**General Fund Expenditures
Fiscal Year 2002**



The difference between budget and actual are savings that were achieved through deferral of vacant positions in anticipation of projected general fund revenue shortfalls subsequent to the tragic events of September 11, 2001 and the economic recession.

**General Fund Expenditures
Fiscal Year 2002
(in thousands)**

	Adopted budget	Amended budget	Actual
General government	\$ 24,083	\$ 25,062	\$ 22,539
Public safety	77,910	78,962	78,145
Physical environment	2,287	2,277	1,948
Transportation	2,761	2,960	2,747
Economic environment	13,484	13,401	13,176
Human services	475	468	425
Culture and recreation	14,126	16,084	14,402
Debt service	500	500	498
Total expenditures	\$ 135,626	\$ 139,714	\$ 133,880

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2002 amounts to \$621.8 million (net of accumulated depreciation). This

investment in capital assets includes land, buildings, water & sewer distribution, storm drainage systems, lighting systems, sidewalks, curbs, signage, equipment, street improvements, and parks, which are detailed as follows (net of accumulated depreciation):

Capital Assets (in thousands)			
	Governmental	Business-Type	Total
Land	\$ 77,404	\$ 22,510	\$ 99,914
Buildings and structures	79,047	146,209	225,256
Mains and lines		20,525	20,525
Meters and hydrants		5,909	5,909
Furniture, fixtures & equipment	15,680	8,763	24,443
Permanent improvements	9,105	2,354	11,459
Infrastructure	46,506		46,506
Construction work-in-progress	106,751	81,061	187,812
Total	\$ 334,493	\$ 287,331	\$ 621,824

The City has developed various capital improvement programs to improve the quality of life of its residents. Major projects included citywide water, wastewater and storm water improvements, streetscape enhancements, improvements to parks, beaches, and fire stations.

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-term Debt

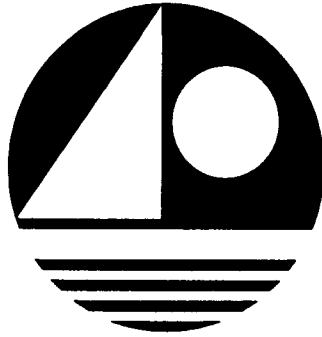
At the end of the current fiscal year, the City had a total bonded debt outstanding of \$425.6 million. This debt was reduced by \$16.1 million (3.6%) during the year. This reduction was due to principal payments.

CITY OF MIAMI BEACH'S Outstanding Debt General Obligation, Special Obligation and Revenue Bonds (in thousands)

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
General obligation	\$ 43,810	\$ 50,985	\$	\$	\$ 43,810	\$ 50,985
Special obligation	196,452	201,360			196,452	201,360
Revenue bonds			185,288	189,293	185,288	189,293
Total	\$ 240,262	\$ 252,345	\$ 185,288	\$ 189,293	\$ 425,550	\$ 441,638

Requests for Information

This financial report is designed to provide a general overview of the City of Miami Beach's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The City of Miami Beach, Finance Department, 1700 Convention Center Drive, Miami Beach, Florida 33139.



City of Miami Beach

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City of Miami Beach

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CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2002

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	\$ 157,853,185	\$ 35,379,156	\$ 193,232,341	\$ 1,814,282
Cash with fiscal agent	100,000		100,000	
Inventories at cost	539,809	1,951,340	2,491,149	
Receivables (net)	8,337,523	13,708,409	22,045,932	455,616
Due from other governments	1,199,344	8,098	1,207,442	
Internal balances	21,486	(21,486)		
Prepaid expenses		233,637	233,637	
Restricted cash and investments	7,413,902	165,401,343	172,815,245	
Deferred charges	1,346,024	3,431,292	4,777,316	
Capital assets, net	334,492,823	287,330,903	621,823,726	5,768
Total assets	511,304,096	507,422,692	1,018,726,788	2,275,666
LIABILITIES				
Accounts payable	6,350,127	3,690,171	10,040,298	332,294
Accrued expenditures	2,891,482	1,736,517	4,627,999	
Accrued interest payable	3,992,261		3,992,261	
Deferred revenues		801,467	801,467	
Due to other governments	423	1,905,778	1,906,201	
Liabilities payable from restricted assets		6,681,695	6,681,695	
Noncurrent liabilities:				
Due within one year	23,960,071	5,537,295	29,497,366	
Due in more than one year	258,538,817	179,455,833	437,994,650	
Total liabilities	295,733,181	199,808,756	495,541,937	332,294
NET ASSETS				
Invested in capital assets, net of related debt	94,230,869	207,522,214	301,753,083	5,768
Restricted for:				
Debt Service	9,082,989		9,082,989	
Capital improvements	25,452,499		25,452,499	
Economic development	22,856,588		22,856,588	
Transportation	10,774,044		10,774,044	
Other purposes	4,461,428		4,461,428	
Unrestricted	48,712,498	100,091,722	148,804,220	1,937,604
Total net assets	\$ 215,570,915	\$ 307,613,936	\$ 523,184,851	\$ 1,943,372

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2002

Functions/Programs Primary government:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating		Governmental Activities	Business-type Activities	Total
		Grants and Contributions	Capital Grants and Contributions			
Governmental activities:						
General government	\$ 25,829,313	\$ 6,459,266	\$ 2,186,344	\$ (19,370,047)	\$ (19,370,047)	\$ (19,370,047)
Public safety	84,602,292	1,360,094		(81,055,854)	(81,055,854)	(81,055,854)
Physical environment	2,895,202		233	(2,894,969)	(2,894,969)	(2,894,969)
Transportation	8,933,603	174,654	1,094,973	(6,790,872)	(6,790,872)	(6,790,872)
Economic environment	8,501,119	1,134,904	13,724,663	6,358,448	6,358,448	6,358,448
Human services	1,495,853		1,101,659	(394,194)	(394,194)	(394,194)
Culture and recreation	31,672,707	1,118,889	21,543,234	(5,954,243)	(5,954,243)	(5,954,243)
Interest on long-term debt	16,334,853			(16,334,853)	(16,334,853)	(16,334,853)
Total governmental activities	180,264,942	10,247,807	39,651,106	(126,436,584)	(126,436,584)	(126,436,584)
Business-type activities:						
Storm Water	4,020,379	5,230,566	114,315		1,324,502	1,324,502
Water	14,939,612	17,749,061	108,290		2,917,739	2,917,739
Sewer	25,460,076	25,604,163	67,891		211,978	211,978
Parking	15,172,305	19,187,199	3,001,337		7,016,231	7,016,231
Convention Center	13,469,379	7,557,445	2,945,049		(2,966,885)	(2,966,885)
Sanitation	5,502,752	3,864,730	1,637,896		(126)	(126)
Redevelopment Agency's						
Parking	1,530,007	1,841,125	10,856		321,974	321,974
Redevelopment Agency's						
Leasing	237,559	631,139	249		393,829	393,829
Total business-type activities	80,332,069	81,665,428	7,885,883		9,219,242	9,219,242
Total primary government	\$ 260,597,011	\$ 91,913,235	\$ 47,536,989	(126,436,584)	(126,436,584)	(117,217,342)
Component units:						
Visitor and Convention	\$ 871,657	\$ 82,213	\$			(789,444)
Health Facilities	319,255					(318,255)
Total component units	\$ 1,189,912	\$ 82,213	\$			(1,107,699)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				65,342,548		65,342,548
Property taxes, levied for debt service				9,600,173		9,600,173
Utility				13,348,286		13,348,286
Franchise fees				7,037,263		7,037,263
Licenses and permits				8,095,001		8,095,001
Intergovernmental				9,108,632		9,108,632
Rents and leases				2,266,989		2,266,989
Fines and forfeitures				1,716,378	318,264	1,716,378
Miscellaneous				8,919,382	6,388	8,925,770
Unrestricted investment earnings				5,300,943	5,581,455	10,882,398
Loss on disposal of capital assets				(213,893)	(6,871)	(220,764)
Internal activity:						
Transfers				1,336,584	(1,336,584)	
Total general revenues and transfers				131,858,286	4,562,652	136,420,938
Change in net assets				5,421,702	13,781,894	19,203,596
Net assets - beginning				210,149,213	293,832,042	503,981,255
Net assets - ending				\$ 215,570,915	\$ 307,613,936	\$ 523,184,851

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2002

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 24,338,274	\$ 4,508,904	\$ 19,283,918	\$ 66,962,175	\$ 26,861,316	\$ 141,954,587
Receivables:						
Accounts (net of allowance for uncollectibles)	4,521,321	1,179,752	16,572		1,502,541	7,220,186
Accrued interest	670,098			92,499	9,572	772,169
Notes		46,088				46,088
Delinquent taxes receivable	179,487				44,303	223,790
Due from other funds	2,382,824		220,459		742	2,604,025
Due from other governments				708,401	490,943	1,199,344
Inventories				189,809		189,809
Prepaid expenditures			56,689		3,919	60,608
Advances to other funds	130,000					130,000
Total assets	<u>\$ 32,222,004</u>	<u>\$ 5,734,744</u>	<u>\$ 19,577,638</u>	<u>\$ 67,952,884</u>	<u>\$ 28,913,336</u>	<u>\$ 154,400,606</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,086,349	\$ 114,615	\$ 12,133	\$ 3,641,275	\$ 475,060	\$ 5,329,432
Accrued expenditures	1,919,629	365,817	948	387,951	54,450	2,728,795
Deferred revenues	284,452				48,879	333,331
Advances from other funds					130,000	130,000
Due to other funds	4,791	1,855,198	107,083	474,566	134,263	2,575,901
Due to other governments					423	423
Total liabilities	<u>3,295,221</u>	<u>2,335,630</u>	<u>120,164</u>	<u>4,503,792</u>	<u>843,075</u>	<u>11,097,882</u>
Fund balances:						
Reserved for:						
Encumbrances	2,056,937	475,854		14,246,614	3,371,509	20,150,914
Debt service					12,834,789	12,834,789
Inventories				189,809		189,809
Notes		46,088				46,088
Prepaid			56,689		3,919	60,608
Unreserved:						
Designated for contingencies	15,662,687					15,662,687
Undesignated:						
General	11,207,159					11,207,159
Special Revenue		2,877,172	19,400,785		11,860,044	34,138,001
Capital Projects				49,012,669		49,012,669
Total fund balances	<u>28,926,783</u>	<u>3,399,114</u>	<u>19,457,474</u>	<u>63,449,092</u>	<u>28,070,261</u>	<u>143,302,724</u>
Total liabilities and fund balances	<u>\$ 32,222,004</u>	<u>\$ 5,734,744</u>	<u>\$ 19,577,638</u>	<u>\$ 67,952,884</u>	<u>\$ 28,913,336</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 318,613,003

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 333,331

Internal service funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 23,206,655

Other liabilities are not due and payable in the current period and therefore are not reported in the funds. (3,992,261)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (265,892,537)

Net assets of governmental activities (page 24) \$ 215,570,915

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2002

	General	Resort Tax	Miami Beach Redevelopment Agency	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 65,560,532	\$	\$	\$	\$ 9,644,645	\$ 75,205,177
Franchise	7,037,263					7,037,263
Utility	13,348,286					13,348,286
Resort		21,021,618				21,021,618
Licenses and permits	9,627,491					9,627,491
Intergovernmental	9,263,148	42,500	20,731,456	3,927,794	7,874,386	41,839,284
Charges for services	1,792,330				2,060,581	3,852,911
Rents and leases	1,446,707		665,138			2,111,845
Interest	2,790,257	86,962	76,562	1,059,926	885,164	4,898,871
Fines and forfeitures	1,716,378				1,456,528	3,172,906
Administrative fees	8,143,990					8,143,990
Other	4,903,947	1,486,673	41,730	170,132	1,613,346	8,215,828
Total revenues	125,630,329	22,637,753	21,514,886	5,157,852	23,534,650	198,475,470
EXPENDITURES						
Current:						
General government	22,539,099	808,123		1,243,985		24,591,207
Public safety	78,144,832			483,351	2,372,801	81,000,984
Physical environment	1,947,904			451,256		2,399,160
Transportation	2,746,693			461,964	3,137,463	6,346,120
Economic environment	13,176,098	1,565,310	4,689,965	5,501,339	4,050,014	28,982,726
Human services	425,370			47,545	1,019,182	1,492,097
Culture and recreation	14,401,954	6,563,049		17,047,855	3,851,693	41,864,551
Debt service:						
Principal retirement	345,943	1,920			12,403,000	12,750,863
Interest and fiscal charges	151,771				16,163,630	16,315,401
Total expenditures	133,879,664	8,938,402	4,689,965	25,237,295	42,997,783	215,743,109
Excess (deficiency) of revenues over (under) expenditures	(8,249,335)	13,699,351	16,824,921	(20,079,443)	(19,463,133)	(17,267,639)
OTHER FINANCING SOURCES (USES)						
Disposal of assets	448,005					448,005
Transfers in	15,031,450	2,174,881	1,815,423	5,902,853	19,880,217	44,804,824
Transfers out	(6,233,344)	(17,510,595)	(18,804,335)	(312,168)	(538,326)	(43,398,768)
Total other financing sources (uses)	9,246,111	(15,335,714)	(16,988,912)	5,590,685	19,341,891	1,854,061
Net change in fund balances	996,776	(1,636,363)	(163,991)	(14,488,758)	(121,242)	(15,413,578)
Fund balances - beginning of year	27,930,007	5,035,477	19,621,465	77,937,850	28,191,503	158,716,302
Fund balances - end of year	\$ 28,926,783	\$ 3,399,114	\$ 19,457,474	\$ 63,449,092	\$ 28,070,261	\$ 143,302,724

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2002

Amounts reported for governmental activities in the statement of activities (page 25)
are different because:

Net change in fund balances - total governmental funds (page 26)	\$ (15,413,578)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciated expense. This is the amount by which capital outlays exceeded depreciation in the current period.	10,868,283
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,905,657)
The repayment of the principal of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets as follows:	
Principal retirement - debt service	12,750,863
Principal retirement - due to developer	3,322,587
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds and are included in the governmental activities section of the statement of net assets.	(2,348,387)
Internal funds are used by management to charge the costs of fleet management, property management, central services, self insurance, and communications to individual funds.	(2,890,918)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>1,038,509</u>
Change in net assets of governmental activities (page 24)	<u><u>\$ 5,421,702</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2002

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
ASSETS							
Current assets:							
Cash and investments	\$ 1,987,366	\$ 1,784,280	\$ 23,352,965	\$ 3,721,667	\$ 4,532,878	\$ 35,379,156	\$ 15,898,598
Cash with fiscal agent							100,000
Inventories at cost		1,951,340				1,951,340	350,000
Accounts receivable (net of allowance for uncollectibles)	380,108	6,448,326	579,596	707,634	730,121	8,845,785	75,291
Loan receivable			4,188,342			4,188,342	
Accrued interest receivable	267,713	406,569				674,282	
Due from other governments				8,098		8,098	
Due from other funds							2,966
Prepaid expenses			48,562	13,393	171,682	233,637	1,285,416
Total current assets	2,635,187	10,590,515	28,169,465	4,450,792	5,434,681	51,280,640	17,712,271
Noncurrent assets:							
Restricted cash and investments	54,517,476	72,149,317	21,065,825	17,613,365	55,360	165,401,343	7,413,902
Deferred charges	707,179	1,445,325	1,278,788			3,431,292	
Capital assets:							
Land		1,492,598	15,519,201	2,089,371	3,408,961	22,510,131	608,520
Buildings and structures	183,366	7,292,177	25,465,207	153,640,441	13,397,987	199,979,178	2,020,545
Parking lots			4,069,504			4,069,504	
Mains and lines		39,108,115				39,108,115	
Meters and hydrants		9,814,916	2,680,094			12,495,010	
Machinery and equipment	886,350	14,174,648	1,475,799	5,961,582	1,886,826	24,385,205	43,625,072
Construction in progress	4,648,197	59,872,249	10,215,859	6,324,361		81,060,666	
Less accumulated depreciation	(687,478)	(34,782,203)	(13,829,101)	(44,572,095)	(2,406,029)	(96,276,906)	(30,374,317)
Total capital assets (net of accumulated depreciation)	5,030,435	98,972,500	45,596,563	123,443,660	16,287,745	287,330,903	15,879,820
Total assets	62,890,277	181,157,657	96,110,641	145,507,817	21,777,786	507,444,178	41,005,993
LIABILITIES							
Current liabilities:							
Accounts payable	108,828	2,339,391	395,131	513,827	332,994	3,690,171	1,020,695
Accrued expenses	245,246	525,485	210,876	708,867	46,043	1,736,517	162,687
Due to other funds					21,486	21,486	9,604
Due to other governments	599,630	1,285,014	9,340		11,794	1,905,778	
Current portion of loan payable					131,614	131,614	186,952
Current portion of bonds payable	870,000	2,480,000	1,268,988			4,618,988	
Accrued compensated absences	77,103	265,216	245,261	11,241	152,929	751,750	700,793
Current portion of capital leases payable			554,134			554,134	
Deferred revenues			431,800	369,667		801,467	
Total current liabilities	1,900,807	6,895,106	3,115,530	1,603,602	696,860	14,211,905	2,080,731
Liabilities payable from restricted assets:							
Deposits		5,103,455	41,068	1,481,812	55,360	6,681,695	
Total liabilities payable from restricted assets		5,103,455	41,068	1,481,812	55,360	6,681,695	
Noncurrent liabilities:							
Pending insurance claims							7,247,000
Insurance claims incurred but not reported							7,534,000
Loan payable					751,904	751,904	937,607
Revenue bonds payable (net of unamortized discounts)	49,841,786	94,974,706	33,127,669			177,944,161	
Capital leases payable			240,577			240,577	
Total noncurrent liabilities	49,841,786	94,974,706	33,368,246		751,904	178,936,642	15,718,607
Total liabilities	51,742,593	106,973,267	36,524,844	3,085,414	1,504,124	199,830,242	17,799,338
NET ASSETS							
Invested in capital assets, net of related debt	132,875	45,531,870	22,126,064	123,443,660	16,287,745	207,522,214	15,879,820
Unrestricted	11,014,809	28,652,520	37,459,733	18,978,743	3,985,917	100,091,722	7,326,835
Total net assets	\$ 11,147,684	\$ 74,184,390	\$ 59,585,797	\$ 142,422,403	\$ 20,273,662	\$ 307,613,936	\$ 23,206,655

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2002

	Storm Water Utility Fund	Water and Sewer Fund	Parking System Fund	Convention Center Complex Fund	Other Enterprise Funds	Totals	Governmental Activities- Internal Service Funds
Operating revenues:							
Charges for services	\$ 5,230,566	\$ 43,353,224	\$ 19,187,199	\$ 7,557,445	\$ 6,336,994	\$ 81,665,428	\$ 30,128,922
Permits, rentals, and other	114,315	1,519,760	3,001,337	2,945,049	1,649,001	9,229,462	801,634
Total operating revenues	5,344,881	44,872,984	22,188,536	10,502,494	7,985,995	90,894,890	30,930,556
Operating expenses:							
Personal services	660,681	4,057,543	4,090,596	4,190,051	2,147,988	15,146,859	6,820,423
Operating supplies	238,457	1,980,862	513,745	598,721	267,985	3,599,770	6,724,152
Contractual services	71,125	24,629,249	3,481,604	2,103,876	2,983,619	33,269,473	4,007,262
Utilities	2,802	546,833	457,897	1,507,964	24,293	2,539,789	1,374,070
Insurance				144,256		144,256	1,856,149
Internal charges	326,769	2,323,249	1,249,562	794,906	719,283	5,413,769	1,782,616
Depreciation	70,072	1,614,331	1,533,299	3,429,605	649,674	7,296,981	5,110,778
Administrative fees	250,000	2,894,896	2,300,000	700,000	250,000	6,394,896	846,094
Amortization	47,514	156,582	161,015			365,111	
Claims and judgements							5,176,614
Other operating					204,905	204,905	
Total operating expenses	1,667,420	38,203,545	13,787,718	13,469,379	7,247,747	74,375,809	33,698,158
Operating income (loss)	3,677,461	6,669,439	8,400,818	(2,966,885)	738,248	16,519,081	(2,767,602)
Nonoperating revenues (expenses):							
Interest and fiscal charges	(2,352,959)	(3,221,458)	(1,384,587)		(22,571)	(6,981,575)	(28,555)
Disposal of assets		12,452	5,603		(24,926)	(6,871)	(338,109)
Interest income	2,396,886	2,448,133	659,633	40,281	36,522	5,581,455	402,072
Total nonoperating revenues (expenses)	43,927	(760,873)	(719,351)	40,281	(10,975)	(1,406,991)	35,408
Income (loss) before contributions and transfers	3,721,388	5,908,566	7,681,467	(2,926,604)	727,273	15,112,090	(2,732,194)
Capital contributions			(29,171)		35,559	6,388	949,257
Transfers in			450,000		381,542	831,542	
Transfers out	(392,512)	(5,972)	(1,716,214)		(53,428)	(2,168,126)	(69,472)
Change in net assets	3,328,876	5,902,594	6,386,082	(2,926,604)	1,090,946	13,781,894	(1,852,409)
Total net assets - beginning	7,818,808	68,281,796	53,199,715	145,349,007	19,182,716	293,832,042	25,059,064
Total net assets - ending	\$ 11,147,684	\$ 74,184,390	\$ 59,585,797	\$ 142,422,403	\$ 20,273,662	\$ 307,613,936	\$ 23,206,655

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2002

	<u>Storm Water Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking System Fund</u>	<u>Convention Center Complex Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Cash flows from operating activities:							
Cash received from customers	\$ 5,129,354	\$ 43,725,201	\$ 19,274,608	\$ 7,575,986	\$ 6,362,561	\$ 82,067,710	\$ 30,115,868
Cash paid to suppliers	(237,780)	(26,929,111)	(4,704,713)	(4,344,875)	(3,700,350)	(39,916,829)	(15,093,116)
Cash paid to employees	(627,420)	(4,002,172)	(3,993,089)	(4,181,241)	(2,210,933)	(15,014,855)	(6,579,019)
Cash paid for claims and judgements							(4,106,614)
Internal charges-payments made to other funds	(576,769)	(5,218,145)	(3,549,562)	(1,484,906)	(969,283)	(11,808,665)	(2,628,710)
Miscellaneous revenues	114,315	1,519,760	3,001,337	2,936,951	1,649,001	9,221,364	797,466
Net cash provided by operating activities	<u>3,801,700</u>	<u>9,095,533</u>	<u>10,028,581</u>	<u>491,915</u>	<u>1,130,996</u>	<u>24,548,725</u>	<u>2,505,875</u>
Cash flows for non-capital financing activities:							
Loan to other funds			(4,188,342)			(4,188,342)	
Proceeds from loan					947,612	947,612	1,215,620
Repayment of loan					(64,093)	(64,093)	(91,060)
Transfers in			450,000		381,542	831,542	
Transfers out	(392,512)	(5,972)	(1,716,214)		(53,428)	(2,168,126)	(69,472)
Net cash provided by (used in) non-capital financing activities	<u>(392,512)</u>	<u>(5,972)</u>	<u>(5,454,556)</u>		<u>1,211,633</u>	<u>(4,641,407)</u>	<u>1,055,088</u>
Cash flows from capital and related financing activities:							
Interest and fiscal charges	(2,349,828)	(3,230,840)	(1,381,746)		(16,685)	(6,979,099)	(21,145)
Bond payments-principal	(835,000)	(2,370,000)	(800,000)			(4,005,000)	
Capital lease payments			(525,749)			(525,749)	
Purchase of capital assets	(1,941,655)	(9,109,008)	(3,799,057)	(2,559,489)	(364,807)	(17,774,016)	(3,948,520)
Proceeds from sale of fixed assets		12,452	5,603		37,405	55,460	135,529
Net cash used in capital and related financing activities	<u>(5,126,483)</u>	<u>(14,697,396)</u>	<u>(6,500,949)</u>	<u>(2,559,489)</u>	<u>(344,087)</u>	<u>(29,228,404)</u>	<u>(3,834,136)</u>
Cash flows from investing activities:							
Interest on investments	2,991,532	2,408,593	659,633	40,281	36,522	6,136,561	402,072
Net cash provided by investing activities	<u>2,991,532</u>	<u>2,408,593</u>	<u>659,633</u>	<u>40,281</u>	<u>36,522</u>	<u>6,136,561</u>	<u>402,072</u>
Net increase (decrease) in cash and equivalents	1,274,237	(3,199,242)	(1,267,291)	(2,027,293)	2,035,064	(3,184,525)	128,899
Cash and investments - beginning of year	55,230,605	77,132,839	45,686,081	23,362,325	2,553,174	203,965,024	23,283,601
Cash and investments - end of year	<u>\$ 56,504,842</u>	<u>\$ 73,933,597</u>	<u>\$ 44,418,790</u>	<u>\$ 21,335,032</u>	<u>\$ 4,588,238</u>	<u>\$ 200,780,499</u>	<u>\$ 23,412,500</u>
Classified as:							
Current assets	\$ 1,987,366	\$ 1,784,280	\$ 23,352,965	\$ 3,721,667	\$ 4,532,878	\$ 35,379,156	\$ 15,998,598
Restricted assets	54,517,476	72,149,317	21,065,825	17,613,365	55,360	165,401,343	7,413,902
Total cash and investments	<u>\$ 56,504,842</u>	<u>\$ 73,933,597</u>	<u>\$ 44,418,790</u>	<u>\$ 21,335,032</u>	<u>\$ 4,588,238</u>	<u>\$ 200,780,499</u>	<u>\$ 23,412,500</u>
Non-cash transactions affecting financial position:							
Capital contributions of capital assets	\$	\$	\$ (29,171)	\$	\$ 35,559	\$ 6,388	\$ 949,257

The notes to the financial statements are an integral part of this statement.

(continued)

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF CASH FLOWS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES
PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2002

(continued)

	<u>Storm Water Utility Fund</u>	<u>Water and Sewer Fund</u>	<u>Parking System Fund</u>	<u>Convention Center Complex Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating income (loss)	\$ 3,677,461	\$ 6,669,439	\$ 8,400,818	\$ (2,966,885)	\$ 738,248	\$ 16,519,081	\$ (2,767,602)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:							
Depreciation and amorti- zation	117,586	1,770,913	1,694,314	3,429,805	649,674	7,662,092	5,110,778
Provision for uncollectible accounts	31,944	110,129		(31,120)	(86,696)	24,257	(3,964)
Changes in assets and liabilities:							
Increase in inventories		(453,744)				(453,744)	(44,536)
(Increase) decrease in accounts receivable	(101,212)	246,977	87,409	(103,677)	34,317	163,814	(25,595)
(Increase) decrease in due from other govern- ments				(8,098)	45	(8,053)	
Decrease in due from other funds		125,000				125,000	8,373
(Increase) decrease in prepaid expense		76,064		(13,393)	(13,366)	49,305	(407,195)
Increase (decrease) in accounts payable	41,167	(667,531)	(171,884)	368,950	(95,215)	(524,513)	(617,718)
Increase (decrease) in accrued expenses	7,865	5,502	(32,742)	(12,762)	2,459	(29,678)	183,916
Increase (decrease) in deposits		(10,246)	6,690	(289,062)	(8,846)	(301,464)	
Increase (decrease) in due to other governments		1,177,610	(6,452)	(8,340)	9,408	1,172,226	
Increase (decrease) in due to other funds					(23,179)	(23,179)	9,604
Increase (decrease) in deferred revenues			(13,256)	122,218	(8,750)	100,212	
Increase in pending insurance claims							1,116,000
Decrease in insurance claims incurred but not reported							(46,000)
Increase (decrease) in accrued compensated absences	26,889	45,420	63,684	4,479	(67,103)	73,369	(10,186)
Total adjustments	124,239	2,426,094	1,627,763	3,458,800	392,748	8,029,644	5,273,477
Net cash provided by operating activities	\$ 3,801,700	\$ 9,095,533	\$ 10,028,581	\$ 491,915	\$ 1,130,996	\$ 24,548,725	\$ 2,505,875

The notes to the financial statements are an integral part of this statement.

**CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

September 30, 2002

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 380,299	\$ 2,653,945
Accrued interest receivable	3,427,520	1,462
Investments, at fair value:		
Short-term investments	19,198,099	
Commingled fixed income trust funds	16,722,556	
U.S. Government securities	63,088,497	
Corporate bonds	168,666,415	
Common stocks and index funds	368,687,637	
Money market funds	1,101,903	
Collective investment fund	10,557,721	
Total investments	<u>648,022,828</u>	
 Total assets	 <u>651,830,647</u>	 <u>2,655,407</u>
 Liabilities		
Accounts payable	4,230,685	508,410
Deposits		<u>2,146,997</u>
 Total liabilities	 <u>4,230,685</u>	 <u>2,655,407</u>
 Net Assets		
Held in trust for pension benefits	<u>\$ 647,599,962</u>	<u>\$</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Fiscal Year Ended September 30, 2002

	<u>Pension Trust Funds</u>
Additions:	
Contributions -	
Employer	\$ 3,510,328
Employee	6,693,687
Transfers from other systems	552,659
Other	11,409
Total contributions	<u>10,768,083</u>
 Investment income -	
Net decrease in fair value of investments	(44,939,190)
Interest income	19,700,615
Dividends	4,429,993
	<u>(20,808,582)</u>
Investment management expenses	(1,745,418)
Deferred retirement option plan participants' loss	(141)
Net investment loss	<u>(22,554,141)</u>
Total reductions	<u>(11,786,058)</u>
 Deductions:	
Benefit paid	38,335,961
Contributions refunded	437,634
Transfers to other systems	49,422
Administrative expenses	923,083
Total deductions	<u>39,746,100</u>
Net decrease	<u>(51,532,158)</u>
 Net assets held in trust for pension benefits - beginning of year	 <u>699,132,120</u>
 Net assets held in trust for pension benefits - end of year	 <u><u>\$ 647,599,962</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

I. Summary of Significant Accounting Policies

The financial statements of the City of Miami Beach, Florida (the "City") have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

A. Reporting entity

The City was incorporated as a municipal corporation on March 26, 1915 and was created by the Florida Legislature, Chapter 7672, Laws of Florida (1917). The City is governed by an elected mayor and six-member commission. The City operates under a Commission-Manager form of government.

Financial accountability includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by the full faith credit of the City or its revenue stream, and responsibility for funding deficits.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units are described below.

1. Blended Component Units:

Miami Beach Redevelopment Agency

The Miami Beach Redevelopment Agency (the "Agency") was created under the Community Redevelopment Act of 1969, enacted by the Florida Legislature. The Agency's Board of Directors is the City Commission. The Agency's executive director is the City Manager. The Agency's budget is adopted by its directors, and approximately 50% of the Agency's operating revenue is derived from the City's tax increment contributions.

Miami Beach Neighborhood Improvement District # 1

The Miami Beach Neighborhood Improvement District No. 1 (the "NID#1") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#1's Board of Directors is the City Commission. The NID#1's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#1 had no financial activity during fiscal year 2002.

Miami Beach Neighborhood Improvement District # 2

The Miami Beach Neighborhood Improvement District No. 2 (the "NID#2") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#2's Board of Directors is the City Commission. The NID#2's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#2 had no financial activity during fiscal year 2002.

Miami Beach Neighborhood Improvement District # 3

The Miami Beach Neighborhood Improvement District No. 3 (the "NID#3") was created under Chapter 87-243, Section 55-73, of the Florida Statutes. The NID#3's Board of Directors is the City Commission. The NID#3's operating revenues are derived from grants, ad valorem taxes, or special assessments. The NID#3 had no financial activity during fiscal year 2002.

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Normandy Shores Local Government Neighborhood Improvement District

The Miami Beach Normandy Shores Local Government Neighborhood Improvement District (the "NSNID") was created under Chapter 163.506, of the Florida Statutes. The NSNID's Board of Directors is the City Commission. The NSNID's revenues are derived from ad valorem taxes. The NSNID is accounted for as a blended component unit in the City's Governmental Funds financial statements under the column entitled, "Other Governmental Funds".

2. Discrete Component Units-Government Fund Type:

Miami Beach Health Facilities Authority

The Miami Beach Health Facilities Authority (the "Authority") was created under the Health Facilities Authorities Law, Chapter 154, Part III of the Florida Statutes. The Authority is appointed by the City Commission, serves a four-year term and is subject to reappointment. The revenue of the Authority is derived from fees generated from the sale of bonds to finance health facilities within Miami Beach. The City receives all funds of the Authority in excess of operational needs of the Authority. Debt issued under the oversight of the Authority is not debt of the City or the Authority and therefore is not included in the accompanying financial statements. The Authority is accounted for as a discretely presented component unit in the City's financial statements. The Authority accounts for its financial activities using only the general fund.

Miami Beach Visitor and Convention Authority

The Miami Beach Visitor and Convention Authority (the "VCA") was created under Chapter 67-930, Section 8, of the Florida Statutes. The VCA is appointed by the City Commission to administer a portion of the collections of the municipal resort tax in order to promote tourism and convention business. Operating costs of the VCA are paid by the City. The VCA is accounted for as a discretely presented component unit in the City's financial statements.

Complete financial statements for the component units may be obtained at the entity's offices:

Miami Beach Redevelopment Agency
1700 Convention Center Drive
Miami Beach, Florida 33139

Miami Beach Health Facilities Authority
1700 Convention Center Drive
Miami Beach, Florida 33139

Miami Beach Visitor and Convention Authority
555 Hank Meyer Boulevard
Miami Beach, Florida 33139

Miami Beach Neighborhood
Improvement District #1, #2, & #3
1700 Convention Center Drive
Miami Beach, Florida 33139

Normandy Shores Local
Government Neighborhood
Improvement District
1700 Convention Center Drive
Miami Beach, Florida 33139

B. Government-wide and fund financial statements

The government-wide financial statements report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns reflect a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations.

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The statement of activities demonstrates the degree to which the direct expenses of a given functional category are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular functional category. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner that these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. The costs of these services are allocated to the appropriated functional activity.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available when the City receives the cash.

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Governmental funds – typically are used to account for tax-supported activities. The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources that relate to the general operations of the City, except those required to be accounted for in another fund.

The *Resort Tax Special Revenue Fund* accounts for the collection of the special tax levied citywide on food, beverage and room rents used to support tourist related activities.

The *Miami Beach Redevelopment Agency Special Revenue Fund* accounts for the operations of the Miami Beach Redevelopment Agency, a tax increment district of the City. The Agency was established in 1976 under the provisions of Chapter 163 of the Florida Statutes to spur development and redevelopment in the South Shore and City Center/Historic Convention Village Redevelopment and Revitalization Area of the City.

The *Capital Projects Fund* accounts for proceeds of the City's bond sales and other revenues whose expenditure is restricted to the construction and acquisition of major capital projects.

Proprietary funds – are used to account for activities supported, as least in part, by fees or charges. The City reports the following major proprietary funds:

The *Storm Water Utility Fund* accounts for the storm water utility operations of the City.

The *Water and Sewer Fund* accounts for the water and sewer operations of the City.

The *Parking System Fund* accounts for the parking operations of the City.

The *Convention Center Complex Fund* accounts for the convention center operations of the City.

Other fund types:

Internal service funds - account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The internal service operations include:

Fleet Management – accounts for the warehouse operations and the purchase and maintenance of the City's fleet of vehicles.

Property Management – accounts for the cleaning, operating and renovations of City buildings.

Central Services – accounts for the operation of the office supplies warehouse, central printing function and central mail facility.

Self Insurance – accounts for the City's insurance operations, both retained and insured.

Communications – accounts for centralized telecommunications operations.

Fiduciary Funds - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other Governments and other funds. The City reports the following fiduciary fund types:

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Pension trust funds include:

- Retirement System for General Employees,
- Retirement System for Police and Fire, and
- Retirement System for Non-Civil Service Employees

General Agency fund – this fund accounts for general deposits held in trust until obligations are met or refunds are made.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City also has the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The following describes the four basic types of *interfund transactions* made during the year and the related accounting policies:

1. Transactions for service rendered or facilities provided are recorded as revenue in the receiving fund and expenditures, either as internal charges or administrative fees in the disbursing fund;
2. Transactions to reimburse a fund for expenditures made by it for the benefit of another fund are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund;
3. Transactions which are recurring annual transfers between two or more budgetary funds are recorded as transfers in and out; and
4. Transactions recording capital contributions between funds are recorded in the proprietary funds and are net to zero in the government-wide statement of activities. The governmental funds do not record capital assets or capital transfers of assets.

Amounts reported as *program revenues* include: charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the storm water utility enterprise fund, of the water and sewer enterprise fund, of the parking system enterprise fund, of the convention center enterprise fund, of the sanitation enterprise fund, of the Miami Beach redevelopment parking enterprise fund, of the Miami Beach redevelopment leasing enterprise fund, and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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(Continued)

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

The City maintains an accounting system in which substantially all cash and investments are recorded in a separate group of accounts. All such cash and investments are reflected as pooled cash and investments. Cash and investments consist of demand deposits with banks, United States Treasury Obligations, State or Municipal obligations, Commercial Paper, Money Market Funds, and Repurchase Agreements.

The cash and investments for the retirement system are maintained in separate cash and investment balances. The retirement system investments are held in United States Treasury Obligations, loans guaranteed by Government agencies, General Obligation or Revenue Bonds issued by States and Municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations. The investments are stated at fair value as determined by closing market prices at the end of the fiscal year.

For the purpose of the Statement of Cash Flows for the Proprietary Fund Types, cash and cash equivalents mean short term, highly liquid investments with an original maturity of three months or less.

Investments are recorded at fair value, except for those investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The City calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of net unrealized loss is immaterial for the fiscal year ended September 30, 2002. Thus, the City records all investments, except retirement system investments, at cost.

2. *Receivables and payables*

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, balances of interfund amounts receivable or payable have been reflected. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for uncollectibles. Account receivables in excess of 90 days comprise the allowance for uncollectibles.

Following are the significant components of the receivables due to the City at September 30, 2002:

- a. Water, Sewer and Waste Fees - This amount represents the unpaid, billed charges for various fines and municipal services;
- b. Fines and Assessments - This amount represents the unpaid, billed charges for various fines and assessments levied for violations of various City code provisions;
- c. Notes Receivable - This amount represents amounts due as evidenced by loan agreements from two special revenue and one capital projects fund to outside entities;
- d. Delinquent Taxes Receivable – Taxes are due November 1 and become delinquent April 1 of each year. This amount represents amounts levied but uncollected at September 30, 2002; and
- e. Accrued Interest Receivable - This amount represents the interest earned but not collected on City investments at yearend.

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3. *Inventories, prepaid and deferred items*

Inventories are stated at cost. Cost is determined principally by the average cost method, which approximates the first-in, first-out method. Inventories are accounted for on the consumption basis. Fund balance has been reserved for the amount of inventories since they are not available for appropriation and expenditure as of September 30, 2002.

Expenditures made for services that will benefit periods beyond September 30, 2002 are recorded as prepaid items and deferred items in both the government-wide and fund financial statements. And, accordingly a portion of fund balance has been reserved to indicate that these funds are not available for appropriation.

4. *Restricted assets*

Certain proceeds of the storm water enterprise fund revenue bonds, of the water and sewer enterprise fund revenue bonds, and the parking system enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Certain proceeds in the convention center complex enterprise fund are restricted as a result of an interlocal agreement between Miami-Dade County and the City to fund the cost of capital improvements to the convention center and the Theatre of Performing Arts (TOPA).

Cash in the self-insurance internal service fund is restricted for claims and judgments made against the City for accidental losses for which the City is self-insured.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or at valuations, which approximate cost. Gifts or contributions of property received are recorded at their estimated fair market value at the time received by the City.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extends the life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the construction phase of capital assets interest of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the storm water utility enterprise fund was \$2,736,421 of which \$386,247 was included as part of the cost of capital assets under construction. The total interest expense incurred by the water and sewer utility enterprise fund was \$2,463,560, of which \$2,197,019 was included as part of the cost of capital assets under construction. The total interest expense incurred by the parking system enterprise fund was \$1,056,551, of which \$364,169 was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the City, as well as the component units, is depreciated over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-60 years
Improvements	10-60 years
Equipment	2-20 years

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(Continued)

6. *Compensated Absences*

The City's vacation and sick leave policies grant a specific number of days of annual and sick leave with pay. In addition, these policies provide for paying a regular employee after a six-month probationary period for accumulated, unused annual and sick leave upon termination.

For regular employees hired before October 1, 1978, the accumulated annual and sick leave is limited to a maximum of 2,088 hours. For an employee that belongs to the Internal Association of Fire Fighters (IAFF) and works a 24 hour shift, the accumulated annual and sick leave is limited up to a maximum of 2,496 hours.

For regular employees hired after October 1, 1978, the accumulated annual and sick pay to be paid upon termination is limited to a maximum of 480 hours of unused annual and one-half of 1200 hours of accumulated sick (600 hours). Therefore, the maximum combined payment of unused annual and sick leave is 1,080 hours.

For IAFF employees hired before October 1, 1978, and work a 24 hour shift, the accumulated annual and sick leave payout is limited to a maximum of 720 hours of unused annual, and a maximum of 270 hours of accumulated sick. The accumulated sick is paid at 100% for the first 180 hours, and at fifty percent for the remaining 180 hours (90 hours) for a total of 270 hours. Therefore, the maximum combined payment of unused annual and sick leave is 990 hours.

For IAFF employees hired after October 1, 1978 and works a regular shift, the accumulated annual and sick leave payout is limited to a maximum of 480 hours and a maximum of 180 hours of accumulated sick. The accumulated sick is paid at 100% for the first 120 hours, and 50% for the remaining unused hours up to 120 hours (60 hours) for a total of 180 hours. Therefore, the maximum combined payment of unused annual and sick leave is 660 hours,

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

- a. **Reserved Fund Balance** - A fund balance reservation indicates that this portion of fund equity has been segregated for specific or legal purposes or is not otherwise available for appropriation, such as encumbrances, which are purchase order commitments for the expenditures of monies recorded in order to reserve that portion of the applicable appropriation in the governmental funds. They do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year; and
- b. **Designated Fund Balance** - A fund balance designation indicates that this portion of fund equity has been segregated based on tentative plans of the City; and

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c. Undesignated Fund Balance - This portion of fund equity is available for any lawful use by the City.

9. *Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

II. Stewardship, compliance, and accountability

Changes in accounting principles

In fiscal year 2002 the City adopted the following statements of financial accounting standards issued by GASB:

1. Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments
2. Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and amendment of GASB Statements No. 21 and 34
3. A portion of Statement No. 38, Certain Financial Statement Note Disclosures
4. Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund or account group, but distinguish between the City's governmental activities and business type activities. Significantly, the statement of net assets will include noncurrent assets which were previously recorded in the General Fixed Asset Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets. Also, for the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and (3) interest income that is restricted for use on a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the City has prepared separate financial statements for governmental funds, proprietary funds and fiduciary funds. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Proprietary and fiduciary fund financial statements continue to use the accrual basis of accounting, and the economic resources measurement focus. Accordingly, the accounting and financial reporting of the fund financial statements is similar to the previously presented in the City's financial statements, although the format of the financial statements has been modified by Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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Statement No. 34 also requires, as a component of required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activities.

Statement No. 38 requires certain disclosures to be made in the Notes to the Financial Statements concurrent with the implementation of Statement No. 34. While the Statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and or amended including descriptions of activities of major funds, future debt service obligations in five year increments, and interfund balances and transactions.

Interpretation No. 6 requires certain long-term liabilities to be recorded in the Governmental fund statements only if the amount is due for payment in the period being reported. The City had unpaid amounts due at September 30, 2002.

III. Detailed notes on all funds

A. Deposits and Investments

All deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under the Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral equal to 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, United States governmental and agency securities, state or municipality government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280, Florida Statutes. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

The City's investments are classified as to credit risk and are summarized below:

Category 1 – Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department or agent, but not in the City's name.

Accordingly, all cash and time deposits held by banks can be classified as Category 1 credit risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". This means they are fully insured or collateralized with securities held by the City or by its agent in the City's name.

The City has adopted an ordinance designating the investments which are allowable for its cash management activities. The policy specifies the types and limits by instruments and establishes a diversified investment objective that takes into consideration the safety, return, and liquidity of capital. The authorized investments include direct United States Treasury obligations, United States government agencies, corporate bonds, state or municipal obligations, commercial paper and repurchase agreements. All City investments, except for swap agreements must be held in an independent custodial account. The custodial account will not be utilized to buy or sell investments for the City. These investments are insured or registered, or the securities held by the City or its agent in the City's name.

The City's cash management investments at year end (including restricted cash and cash with paying agent) and the level of risk assumed by the City are shown below:

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	Carrying Amount/ Fair Value	Risk Category
U.S. government agencies	\$ 92,051,911	1
Commercial paper	30,683,805	1
Guaranteed investment contracts	104,704,742	1
Common stock	15,955	1
Money market deposits	97,324,646	1
Repurchase agreements	<u>43,886,590</u>	1
Total City cash management investments	<u>368,667,649</u>	
City funds managed by others and cash:		
Money market deposits	<u>133,882</u>	1
Total cash and investments	<u>\$ 368,801,531</u>	

Schedule of Cash & Investments by Major Funds:

General	\$ 24,338,274
Resort Tax	4,508,904
Redevelopment Agency	19,283,918
Capital Projects	66,962,175
Storm Water	56,504,842
Water and Sewer	73,933,597
Parking	44,418,790
Convention Center Complex	21,335,032
Agency Fund	2,653,945
Nonmajor Funds	<u>54,862,054</u>
Total Cash & Investments	<u>\$ 368,801,531</u>

The City has adopted ordinances which govern the investment of funds for all of the Employee's Retirement systems. These investments include United States Treasury obligations, loans guaranteed by government agencies, General Obligation or Revenue Bonds issued by states and municipalities, dividend paying stocks of domestic corporations, bonds, notes or other interest bearing obligations of domestic corporations, and shares and accounts of savings and loan associations.

As of September 30, 2002, the level of credit risk of the Plan's investments is in Category 1 as defined by the Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", which includes investments that are insured or registered or securities held by the plan or its agent in the Plan's name. There are no investments, loans to or leases with parties related to the pension plan. There were no investments in any one company which individually exceeded 5% of the net assets available for plan benefits.

The investments of the Retirement Systems and the level of risk assumed are presented below:

	Carrying Amount/ Fair Value	Risk Category
Common stock	\$ 379,245,358	1
Corporate bonds	185,388,971	1
Money market deposits	1,101,903	1
U. S. government securities	63,088,497	1
Short-term debt	19,198,099	1
Cash	<u>380,299</u>	1
Total cash and investments	<u>\$ 648,403,127</u>	

B. Receivables

Receivables as of September 30, 2002 for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

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(Continued)

	Governmental Activities						
		Resort	Redeve-	Capital	Internal	Nonmajor	
	General	Tax	lopment Agency	Projects	Service	Funds	Totals
Receivables:							
Accounts	\$5,750,784	\$1,179,752	\$16,572	\$	\$90,501	\$1,538,445	\$8,576,054
Interest	670,098			92,499		9,572	772,169
Notes		46,088					46,088
Taxes	179,487					44,303	223,790
Gross receivables	6,600,369	1,225,840	16,572	92,499	90,501	1,592,320	9,618,101
Less: allowance for uncollectible	1,229,463				15,210	35,904	1,280,577
Net Total							
Receivables	\$5,370,906	\$1,225,840	\$16,572	\$92,499	\$75,291	\$1,556,416	\$8,337,524

	Business-type Activities					
	Storm Water	Water and Sewer	Parking	Convention Center Complex	Nonmajor Funds	Totals
Receivables:						
Accounts	\$639,534	\$8,158,585	\$605,815	\$707,634	\$986,019	\$11,097,587
Less: allowance for uncollectible	259,426	1,710,259	26,219		255,898	2,251,802
Net Total						
Receivables	\$380,108	\$6,448,326	\$579,596	\$707,634	\$730,121	\$8,845,785

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenue recognition in connection with resources that have been received, but not yet earned, are also deferred in the City's governmental funds.

Property values are assessed (levied) at fair market value (100%) by the Miami-Dade County Property Assessor as of January 1 of each year, at which time taxes become an enforceable lien on property. State of Florida Amendment #10 to the Florida Constitution known as "Save our Homes" limits assessment increases on homestead property to the lesser of 3% or the consumer price index. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of personal property taxes by seizure of the property or by the sale of the property or by the sale of interest bearing tax certificates to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

C. Capital assets

Capital asset activity for the year ended September 30, 2002 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 77,403,771	\$	\$	\$ 77,403,771
Construction in progress	<u>89,846,869</u>	<u>18,585,856</u>	<u>1,681,899</u>	<u>106,750,826</u>
Total capital assets, not being depreciated	<u>167,250,640</u>	<u>18,585,856</u>	<u>1,681,899</u>	<u>184,154,597</u>
Capital assets, being depreciated:				
Buildings	113,498,057			113,498,057
Permanent improvements	68,638,110			68,638,110
Furniture and fixtures	1,220,587	205,323	33,712	1,392,198
Equipment	44,237,685	7,001,921	3,990,009	47,249,597
Infrastructure	<u>116,795,794</u>			<u>116,795,794</u>
Total capital assets being depreciated	344,390,233	7,207,244	4,023,721	347,573,756
Less accumulated depreciated for:				
Buildings	32,323,023	2,128,116		34,451,139
Permanent improvements	58,224,023	1,309,390		59,533,413
Furniture and fixtures	794,365	140,020	2,399	931,986
Equipment	29,663,351	5,425,045	3,058,787	32,029,609
Infrastructure	<u>66,324,931</u>	<u>3,964,452</u>		<u>70,289,383</u>
Total accumulated depreciation	<u>187,329,693</u>	<u>12,967,023</u>	<u>3,061,186</u>	<u>197,235,530</u>
Total capital assets, being depreciated, net	<u>157,060,540</u>	<u>(5,759,779)</u>	<u>962,535</u>	<u>150,338,226</u>
Governmental activities capital assets, net	<u>\$324,311,180</u>	<u>\$12,826,077</u>	<u>\$ 2,644,434</u>	<u>\$334,492,823</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Storm Water				
Capital assets, not being				
Depreciated:				
Land				
Construction in progress	\$ 2,909,919	\$ 1,921,644	\$ 183,366	\$ 4,648,197
Capital assets, being				
depreciated:				
Storm sewers		183,366		183,366
Furniture equipment and				
vehicles	872,600	13,749		886,349
Total capital assets, being				
depreciated	872,600	197,115		1,069,715
Less accumulated				
depreciation for:				
Storm sewers		1,528		1,528
Furniture, equipment				
and vehicles	617,405	68,544		685,949
Total accumulated				
depreciation	617,405	70,072		687,477
Total capital assets, being				
depreciated, net	255,195	127,043		382,238
Storm water capital assets				
net	\$ 3,165,114	\$ 2,048,687	\$ 183,366	\$ 5,030,435
Water & Sewer				
Capital assets, not being				
Depreciated:				
Land	\$ 1,492,598	\$	\$	\$ 1,492,598
Construction in progress	52,202,557	8,682,639	1,012,947	59,872,249
Total capital assets, not				
Being depreciated	53,695,155	8,682,639	1,012,947	61,364,847
Capital assets, being				
Depreciated:				
Mains and lines	38,841,782	266,333		39,108,115
Buildings and structures	7,292,177			7,292,177
Meters and hydrants	9,068,302	746,614		9,814,916
Furniture equipment and				
vehicles	13,730,095	444,553		14,174,648
Total capital assets, being				
depreciated	68,932,356	1,457,500		70,389,856
Less accumulated depreciation for:				
Mains and lines	17,940,063	641,421		18,581,484
Buildings and structures	2,778,952	121,130		2,900,082
Meters and hydrants	4,468,088	205,600		4,673,688
Furniture, equipment				
and vehicles	7,980,769	646,180		8,626,949
Total accumulated				
depreciation	33,167,872	1,614,331		34,782,203
Total capital assets, being				
Depreciated, net	35,764,484	(156,831)		35,607,653
Water and sewer capital				
assets	\$ 89,459,639	\$ 8,525,808	\$ 1,012,947	\$ 96,972,500

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Parking Department				
Capital assets, not being Depreciated:				
Land	\$ 15,519,201	\$	\$	\$ 15,519,201
Construction in progress	<u>13,480,630</u>	<u>1,211,475</u>	<u>4,476,246</u>	<u>10,215,859</u>
Total capital assets, not Being depreciated	<u>28,999,831</u>	<u>1,211,475</u>	<u>4,476,246</u>	<u>25,735,060</u>
Capital assets, being Depreciated:				
Buildings and structures	21,133,721	4,331,486		25,465,207
Parking Meters	2,680,094			2,680,094
Furniture equipment and vehicles	1,242,533	312,847	79,581	1,475,799
Improvements other than buildings	<u>1,679,186</u>	<u>2,390,318</u>		<u>4,069,504</u>
Total capital assets, being depreciated	<u>26,735,534</u>	<u>7,034,651</u>	<u>79,581</u>	<u>33,690,604</u>
Less accumulated depreciation for:				
Buildings and structures	8,600,459	772,192		9,372,651
Parking Meters	1,400,010	512,034		1,912,044
Furniture, equipment and vehicles	702,784	205,547	79,581	828,750
Improvements other than buildings	<u>1,672,130</u>	<u>43,526</u>		<u>1,715,656</u>
Total accumulated depreciation	<u>12,375,383</u>	<u>1,533,299</u>	<u>79,581</u>	<u>13,829,101</u>
Total capital assets, being Depreciated, net	<u>14,360,151</u>	<u>5,501,352</u>		<u>19,861,503</u>
Parking department capital assets, net	<u>\$ 43,359,982</u>	<u>\$ 6,712,827</u>	<u>\$ 4,476,246</u>	<u>\$ 45,596,563</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Convention Center				
Capital assets, not being Depreciated:				
Land	\$ 2,089,371	\$	\$	\$ 2,089,371
Construction in progress	<u>18,843,115</u>	<u>2,644,989</u>	<u>15,163,743</u>	<u>6,324,361</u>
Total capital assets, not Being depreciated	<u>20,932,486</u>	<u>2,644,989</u>	<u>15,163,743</u>	<u>8,413,732</u>
Capital assets, being Depreciated:				
Buildings and structures	139,945,406	13,823,549	128,514	153,640,441
Furniture equipment and vehicles	<u>4,784,606</u>	<u>1,254,694</u>	<u>77,718</u>	<u>5,961,582</u>
Total capital assets, being depreciated	<u>144,730,012</u>	<u>15,078,243</u>	<u>206,232</u>	<u>159,602,023</u>
Less accumulated depreciation for:				
Buildings and structures	36,615,741	3,235,218	58,538	39,792,421
Furniture, equipment and vehicles	<u>4,732,981</u>	<u>194,387</u>	<u>147,694</u>	<u>4,779,674</u>
Total accumulated depreciation	<u>41,348,722</u>	<u>3,429,605</u>	<u>206,232</u>	<u>44,572,095</u>
Total capital assets, being Depreciated, net	<u>103,381,290</u>	<u>11,648,638</u>		<u>115,029,928</u>
Business-type activities Capital assets, net	<u>\$124,313,776</u>	<u>\$ 14,293,627</u>	<u>\$ 15,163,743</u>	<u>\$ 123,443,660</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Non-Major				
Capital assets, not being				
Depreciated:				
Land	\$ 3,408,961	\$ _____	\$ _____	\$3,408,961
Capital assets, being				
Depreciated:				
Buildings and structures	13,397,987			13,397,987
Furniture equipment and vehicles	<u>1,867,876</u>	<u>400,366</u>	<u>381,416</u>	<u>1,886,826</u>
Total capital assets, being depreciated	<u>15,265,863</u>	<u>400,366</u>	<u>381,416</u>	<u>15,284,813</u>
Less accumulated depreciation for:				
Buildings and structures	1,209,167	437,561		1,646,728
Furniture, equipment and vehicles	<u>866,271</u>	<u>212,113</u>	<u>319,083</u>	<u>759,301</u>
Total accumulated depreciation	<u>2,075,438</u>	<u>649,674</u>	<u>319,083</u>	<u>2,406,029</u>
Total capital assets, being Depreciated, net	<u>13,190,425</u>	<u>(249,308)</u>	<u>62,333</u>	<u>12,878,784</u>
Non major proprietary capital assets, net	<u>\$ 16,599,386</u>	<u>\$ (249,308)</u>	<u>\$ 62,333</u>	<u>\$ 16,287,745</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being Depreciated:				
Land	\$ 22,510,131	\$	\$	\$ 22,510,131
Construction in progress	<u>87,436,222</u>	<u>14,460,746</u>	<u>20,836,302</u>	<u>81,060,666</u>
Total capital assets, not Being depreciated	<u>109,946,353</u>	<u>14,460,746</u>	<u>20,836,302</u>	<u>103,570,797</u>
Capital assets, being Depreciated:				
Mains and lines	38,841,782	266,333		39,108,115
Buildings and structures	181,769,291	18,338,401	128,514	199,979,178
Meters and hydrants	11,748,396	746,614		12,495,010
Furniture equipment and Vehicles	22,497,711	2,426,209	538,715	24,385,205
Improvements other than buildings	<u>1,679,186</u>	<u>2,390,318</u>	<u></u>	<u>4,069,504</u>
Total capital assets, being depreciated	<u>256,536,366</u>	<u>24,167,875</u>	<u>667,229</u>	<u>280,037,012</u>
Less accumulated depreciation for:				
Mains and lines	17,940,063	642,949		18,583,012
Buildings and structures	49,204,320	4,566,101	58,538	53,711,883
Meters and hydrants	5,868,097	717,633		6,585,730
Furniture, equipment and vehicles	14,900,212	1,326,772	546,359	15,680,625
Improvements other than buildings	<u>1,672,130</u>	<u>43,526</u>	<u></u>	<u>1,715,656</u>
Total accumulated depreciation	<u>89,584,822</u>	<u>7,296,981</u>	<u>604,896</u>	<u>96,276,906</u>
Total capital assets, being Depreciated, net	<u>166,951,544</u>	<u>16,870,895</u>	<u>62,333</u>	<u>183,760,106</u>
Business type activities capital assets, net	<u>\$ 276,897,897</u>	<u>\$31,331,641</u>	<u>\$20,898,635</u>	<u>\$ 287,330,903</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 785,074
Public safety	1,538,358
Transportation	3,907,004
Economic environment	586,537
Human services	696
Culture and recreation	1,038,576
Capital assets held by the government's internal service funds are charged to The various functions based on their usage of the assets	<u>5,110,778</u>
Total depreciation expense – governmental activities	<u>\$12,967,023</u>

Business-type activities:

Storm water	\$ 70,072
Water and Sewer	1,614,331
Parking	1,533,299
Convention Center Complex	3,429,605
Nonmajor enterprise funds	<u>649,674</u>
Total depreciation expense – business-type activities	<u>\$ 7,296,981</u>

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

D. Construction commitments

The City has active construction projects as of September 30, 2002. The projects include citywide, water, waste water and storm water improvements; as well as a variety of streetscape enhancement projects.

At September 30, 2002, the City had in process various uncompleted construction projects with remaining balances totaling \$43,621,569.

E. Interfund receivables, payables and transfers

The composition of Interfund balances as of September 30, 2002 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	
General Fund	Resort Tax	\$ 1,648,393
	Miami Beach Redevelopment	106,388
	Capital Projects	474,566
	Nonmajor Government	132,879
	Nonmajor Enterprise	20,599
Miami Beach Redevelopment	General Fund	4,050
	Resort Tax	206,805
	Internal Service	9,604
Nonmajor Governmental Funds	General Fund	742
Internal Service Funds	Miami Beach Redevelopment	695
	Nonmajor Government	1,384
	Nonmajor Enterprise	887
Total		<u>\$ 2,606,992</u>

Advance from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Fund	<u>\$130,000</u>

Interfund transfers:

	Transfers In:								
				M.B.			Nonmajor		
Transfers out:	Total	General	Resort	Redeve-	Capital		Govern-	Nonmajor	
	Out	Fund	Tax	lopment	Projects	Parking	mental	Enterprise	Total In
General Fund	\$ 6,233,344	\$	\$	\$	\$ 395,753	\$	\$ 5,837,591	\$	\$ 6,233,344
Resort Tax	17,510,595	15,031,450		1,815,423	288,887		374,835		17,510,595
M.B. Redevelopment	18,804,335		2,174,881		5,218,213	450,000	10,961,241		18,804,335
Capital Projects	312,168						312,168		312,168
Storm Water	392,512						10,970	381,542	392,512
Water & Sewer	5,972						5,972		5,972
Parking	1,716,214						1,716,214		1,716,214
Nonmajor Governmental	538,326						538,326		538,326
Nonmajor Enterprise	53,428						53,428		53,428
Internal Service	69,472						69,472		69,472
Totals	\$45,636,365	\$15,031,450	\$2,174,881	\$1,815,423	\$5,902,853	\$450,000	\$19,880,217	\$381,542	\$45,636,365

CITY OF MIAMI BEACH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(Continued)

F. Leases

1. Operating Leases

The City serves as the lessor for tenants leasing various building, office and retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2014. Future minimum lease receivables under the operating leases at September 30, 2002, are as follows:

<u>September 30</u>	<u>Governmental Operating Leases</u>	<u>Business Type Operating Leases</u>
2003	\$ 415,911	\$ 425,000
2004	356,253	425,000
2005	279,777	425,000
2006	61,726	425,000
2007	3,385	425,000
2008 and thereafter	<u>64,323</u>	<u>17,099,997</u>
	<u>\$1,181,375</u>	<u>\$19,224,997</u>

The Miami Beach Redevelopment Agency serves as the lessor for tenants leasing various retail facilities. The tenant leases are considered operating leases, which expire at various dates through fiscal year 2014. Future minimum lease receivables under the operating leases at September 30, 2002, are as follows:

<u>September 30</u>	<u>Operating Leases</u>
2003	\$ 656,374
2004	656,374
2005	656,374
2006	656,374
2007	656,374
2008 and thereafter	<u>2,830,994</u>
	<u>\$6,112,864</u>

2. Ground Lease

The Miami Beach Redevelopment Agency is the lessor in an agreement with a development company in which the Miami Beach Redevelopment Agency leases the land on which the Loews Hotel is located. The lease is an operating lease which commenced on December 24, 1998, and expires on December 24, 2098. Future minimum lease receivables under the operating leases at September 30, 2002, are as follows:

<u>September 30</u>	<u>Operating Leases</u>
2003	\$ 500,000
2004	500,000
2005	500,000
2006	500,000
2007	500,000
2008 and thereafter	<u>45,500,000</u>
	<u>\$48,000,000</u>

3. Capital Lease

The City is obligated under capital leases for parking meters, whose leases expire on December 18, 2003, February 12, 2004, February 18, 2004, and August 25, 2004, respectively. At September 30, 2002, the gross amount of parking meters and related accumulated amortization recorded under capital leases are